


State of Michigan Tax Collection and Amnesty

House Tax Policy
Committee
Michigan Department of
Treasury
March 24, 2010



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What Do We Collect?

FY 2009: \$455.1 million

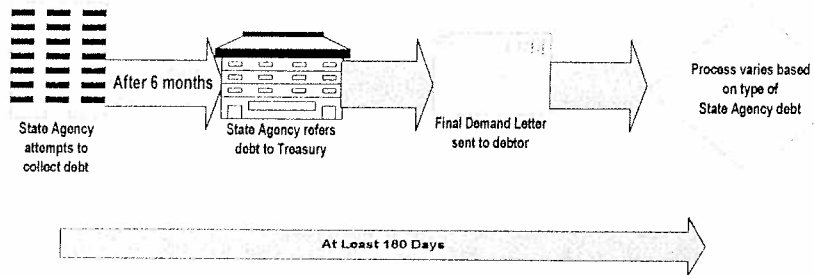


- State Agency Debt Collection \$133.1 million
 - Driver Responsibility Fee Debt Collection
 - Other Delinquent Debt Collection (e.g. prisoners
parole/probation costs, lottery payments from lottery agents)
- Delinquent Tax Collection \$322 million

Total Collections \$455.1 million

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State Agency Debt Collection Treasury's Role



Treasury's role- collect delinquent taxes

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State Tax Collection Treasury's Role

- Administers and Collects \$23.5 billion in State tax revenues
- Over 6 million taxpayers
- 97.4% of taxes are voluntarily paid*
- Treasury's role – collect delinquent taxes

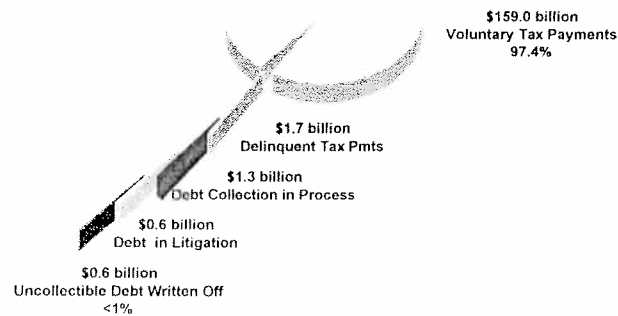
*Totals based on 2000/2006 study

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97.4% of Taxes Paid Voluntarily

Total Tax Liability = \$163.2 billion

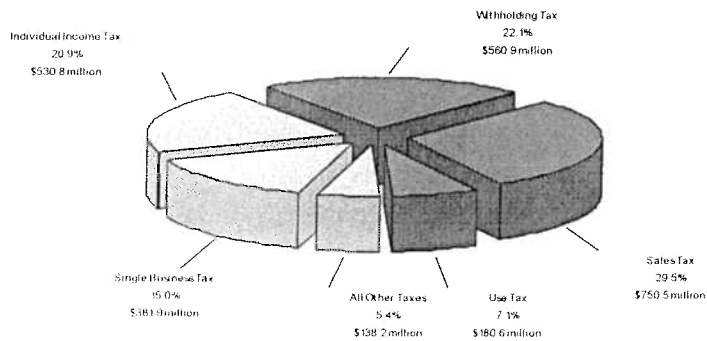
Totals based on FY 2000 - FY 2006 study



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Most Delinquent Taxes Already Collected by Businesses But Not Sent to the State

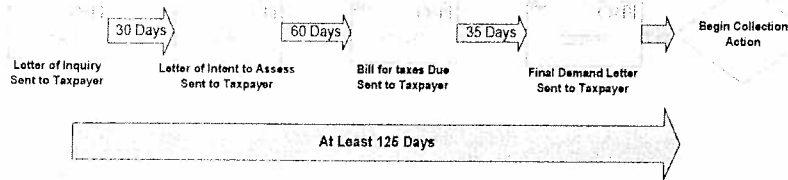
Delinquent Tax Debt \$2.54 billion
FY 2008



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What is the Tax Collection Process?

Ample Notification



Time periods set by statute

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How Do We Do It?

The Department employs a variety of efforts to collect debt:

- Skip tracing to locate the debtor
- Letters sent to debtors - 2.3 million/year
- Phone contacts - 75,000/month outbound; 85,000/month inbound
- Field visits to active businesses – 16,675 in 2009

Note: Totals based on FY09

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Working with Taxpayers

- Installment agreements for qualified taxpayers
 - Debts can be repaid over time: generally no longer than 36 months
 - Department works with debtor to establish a manageable payment plan: 67,000 agreements/\$114.1 M
 - To qualify for an installment agreement the debtor must file outstanding returns and stay current on payment of all taxes
 - Provide complete financial information

This benefits the State by bringing the taxpayer into compliance with tax laws

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What if the Taxpayer Does Not Pay? Collection Enforcement Action

The Revenue Act provides a variety of enforcement tools:

- Liens on property (tax debt only) – 43,831/year securing \$396M
- Levy of wages and/or bank accounts – 77,166/year securing \$424M
- Intercept tax refund monies owed to the debtor by the State of Michigan – 28.7M
- Seizure and sale of business assets (tax debt only) – 122/year for \$2.1M
- Corporate Officers responsible for tax debts owed by a business – 6,400 for \$170M in debt

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Note: Totals for FY09

Amnesty

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What is Amnesty?

- A program under which designated taxpayers may, during a fixed period, pay certain delinquent taxes without penalty.
- Generally does not involve a waiver of interest.
- Generally applies to a fixed time period ending before the amnesty period.
- Generally requires complete payment of the unpaid amount.

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Ongoing “Amnesty- Like” Programs

- Voluntary disclosure
- Taxpayer initiated disclosure

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Voluntary Disclosure \$885 Million Since 1998

- Limited to out-of-state taxpayers
- Eligible Taxes are Use, IIT, SBT, and MBT
- No prior contact by Department, AG, State Police or local law enforcement
- Waives penalties
- Exposure limited to 4 years

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Taxpayer Initiated Disclosure – \$44 Million Since 1998

- All taxes administered by Revenue Act are eligible
- All Michigan taxpayers eligible unless prior contact by Department
- Waives penalties
- Must file for all open years

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Factors Affecting the Fiscal Impact

- Does the program apply to currently billed taxes?
- How much in penalty that would have been collected will not be?
- How much will be derived from taxpayers whose obligations are not known?
- To what extent are existing resources diverted from normal collection efforts?

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2002 Amnesty Generated Little Net Revenue



Millions

Without Amnesty
Net Total \$73.1

Amnesty
Net Total \$78.9

Penalties \$22.9
Existing Assessments \$50.2

Previously Unreported \$31.7
Existing Assessments \$50.2

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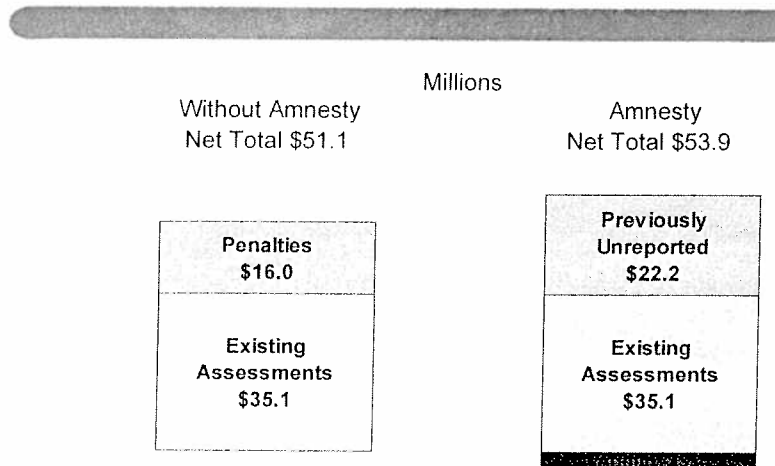
2002 Amnesty Generated Little Net Revenue



Amnesty Net Total	\$78.9 M
Without Amnesty	\$73.1 M
Net Revenue	<u>\$5.8 M</u>

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Amnesty in 2010 Would Barely Break Even



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Amnesty in 2010 Would Barely Break Even

Amnesty Net Total	\$53.9 M
Without Amnesty	\$51.1 M
Net Revenue	\$2.8 M

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